

Feb. 6, 2013

Chairman Tutvedt and Members of the Senate Taxation Committee:

Thank you for the opportunity today to speak to you and the Senate Taxation Committee members. I always enjoy the opportunity to return to Montana. My name is Dan Peters and I am vice president of manufacturing – west for Ash Grove Cement Company. I grew up in Conrad, attended Montana State University. My wife, Linda, also is a Montana State University graduate and is originally from Helena. My Montana education has given me the opportunity to succeed in a natural resources-based construction materials company, Ash Grove Cement. Ash Grove employs many Montana higher education graduates not only our Montana City plant but throughout the entire organization. We conduct annual recruiting trips to identify interns and potential employees at Montana Tech and Montana State. We believe those students are among the best educated in the country.

To give you some background, Ash Grove is headquartered in Overland Park, Kan., which is just outside Kansas City, Mo. Ash Grove is the largest American-owned cement company and has operated for more than 130 years. It is a family-owned business and is currently managed by the 4<sup>th</sup> generation of the family. In Montana, our company employs approximately 80 people with an annual payroll of \$4.7 million. Our Montana City plant, which opened in 1964 when Kaiser Cement owned it to provide cement to construct the Yellow Tail and Hungry Horse Dams, supports an estimated 800 local jobs.

Joining me here today is our plant manager, Dick Johnson. Dick grew up in Billings and is a Montana State University graduate who now lives in Clancy. And, Ron Vidergar, vice president of manufacturing services. Ron is based out of our headquarters and works with our eight plants and vendors who install our pollution control equipment. They can join me in answering your questions.

The Montana City workforce has a strong focus on safety and has worked for more than 12 years without a lost time accident. It has one of the best safety records in the cement industry and is the safest plant in our organization. The plant has the capacity to produce more than 300,000 tons of cement annually. The Montana City plant, as well as our entire fleet of plants, are ISO 14001 compliant, which is an international standard for excellence in environmental management. We are the only domestic cement manufacturer to have achieved this distinction. We also support the community. Our plant has assisted many organizations, including: the Jefferson High School Booster Club, Little League Baseball, Small Fry Football, Helena High School Rodeo, Montana Math Counts, and Big Brothers and Sisters of Helena.

Today we are here to support SB 240, which would provide relief for businesses that are compelled by the **federal** government to add pollution control devices.

Recently, Ash Grove invested \$14 million to install a baghouse designed to further reduce dust emissions and for the Montana City plant to comply with the federal standards for cement kilns under the National Emissions Standards for Hazardous Air Pollutants (NESHAP). As a result of this new equipment being installed, we are well ahead of the NESHAP compliance deadline of September 2015. Please recognize that this investment is the largest investment that the plant has ever had and increases our operating costs significantly without increasing the plant's production capacity, efficiency or product quality. However, the plant's property tax burden is expected to increase by 50 percent annually.

Ash Grove's property tax burden in Montana ranks second highest of our eight plants, when compared to our other seven plants. Currently, we are working with the state legislature in the state where the greatest burden is assessed to cut that plant's property taxes by 50 percent.

Currently, Ash Grove is building a cement distribution terminal, in Ridgellawn, Mont., at a cost of approximately \$8 million. It is scheduled to be in operation by fall 2013 and will serve the Bakken Oil Shale formation in North Dakota. This is a rapidly growing market, and we expect to move 100,000 tons of Montana City produced cement through the terminal annually.

Successful passage of SB 240 will help clarify future investment options for companies like Ash Grove Cement. For example, we recently agreed to invest approximately \$150 million in our Midlothian, Texas plant. Under Texas law, pollution control equipment is exempt from property tax. Other states offer other abatement or incentives for such investments.

As this nation emerges from the Great Recession, we believe that SB 240 is an immediate solution to concerns that businesses like ours have and will help to solidify decisions about sustaining Montana operations for businesses.

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